

DMART

- our inability to offer daily low prices pursuant to our EDLC/EDLP pricing strategy;
- our inability to acquire land or enter into leases at suitable locations for our expansion;
- our inability to maintain optimum levels of inventory at our stores;
- failure to attract, retain, train and optimally utilise our management team and other skilled manpower;
- our inability to promptly identify and respond to changing customer preferences or evolving trends; and
- our inability to negotiate and obtain favourable terms from our suppliers.

We typically maintain inventory levels that are sufficient for a few days of operation. (14)

No contracts with suppliers for flexibility

Transportation dependent upon third party. No definitive agreements made. Rare written documentation. Problem for insurance and recovery. (25)

“negative publicity about other industry participants relating to improper conduct could indirectly materially and adversely affect our business and corporate image.” (26)

“Our Promoters may take or block actions with respect to our business, which may conflict with our interests or the interests of our minority shareholders” (27)

The —Top 20% || of Indian households account for 40-50% of total household consumption expenditure and 50- 60% of household income. The next 40% of the households account for 40% of the overall household expenditure while the bottom 40% (largely comprising of SEC E) make up 10-20% of household consumption. (103)

16 Indian states contribute approximately 85% of the total retail spend and are expected to continue to have a significant share of the total retail consumption. Retail opportunity in three southern states – Karnataka, Andhra Pradesh and Telangana is currently approximately USD100bn. (105)

Indian retailers who have adopted the three success factors 1) format focus 2) category focus and 3) geography focus have witnessed profitable growth thus justifying modern retail's viability in India. (108)

** Influenced by big international retailers. Reference: WalMart, IKEA, COSTCO mentioned.*

~ Our Business (119 - 130) / Regulation and Policies(131 - 133)

“ in Fiscal 2016 our Company was one of the largest and the most profitable F&G retailer in India” (119)

Total Stores (112)	Stores	% Sto.	Sales
Maharashtra	58	51.7	62.57
Gujarat	26	23.2	18.83

We operate and manage all our stores.

We operate predominantly on an ownership model (including long-term lease arrangements, where lease period is more than 30 years and the building is owned by us) rather than on a rental model.

We open new stores using a cluster approach on the basis of adjacencies and focusing on an efficient supply chain, targeting densely-populated residential areas with a majority of lower-middle, middle and aspiring upper-middle class consumers.

We operate distribution centres and packing centres which form the backbone of our supply chain to support our retail store network.

Our business approach is to retail quality goods at competitive prices.

The majority of products stocked by us are everyday products forming part of basic rather than discretionary spending.

We endeavor to minimise our operating costs in several ways such as owning underlying real estate or entering into long-term lease arrangements for a majority of our stores in order to minimise rental costs, procuring goods directly from vendors and manufacturers, employing an efficient logistics and distribution system and maintaining a strong focus on product assortment to minimise inventory build-up, supported by efficient store operations.

Our stores are supported by IT and operational management systems specific to our business needs. These systems streamline many of our functions including procurement, sales, supply chain and inventory control processes and daily produce updated information to support our business.

As a result, we are able to procure our merchandise from our distribution centres or directly from our suppliers and manage our inventory levels efficiently to better respond to our customers' changing preferences and needs.

We have registered LFL growth of 26.06%, 22.43% and 21.49% for Fiscals 2014, 2015 and 2016, respectively. Like for Like (LFL) growth is a measure of growth in sales, adjusted for new or divested business. LFL growth means the growth in revenue from sales of same stores which have been operational for at least 24 months at the end of a Fiscal.

EDLC = Every Day Low Cost

EDLP = Every Day Low Price

Value retailing to customers using the EDLC/EDLP strategy.

EDLC/EDLP strategy is based on offering low prices on an everyday basis by achieving low procurement and operations cost rather than as special promotion limited to certain products or to a particular day, week or any other specific period in the year.

We typically follow our pricing strategy for all our products, relying on our strong supplier network, efficient supply chain management for procurement and careful product assortment.

We have expanded our footprint using a cluster-based approach.

We have strengthened our existing presence in certain regions by opening new stores within a radius of a few kilometers of our existing stores and distribution centres.

This has ensured the creation of a cluster of stores within a region in which we believe, we have developed a better understanding of local needs and preferences and enabled us to tailor our offering.

Such clusters have also led to increased penetration and presence in under-served markets, higher cost efficiency due to economies of scale achieved in our supply chain and inventory management, and greater and concentrated brand visibility due to focused implementation of marketing and advertising initiatives.

In the process of opening new stores, we take various factors into account, including population density, customer traffic and vehicular traffic, customer accessibility, potential growth of the local population and economy, area development potential and future development trends, estimated spending power of the population and local economy and payback period, estimated on the basis of expected sales potential, strategic benefits, proximity and performance of competitors and store site characteristics.

We have largely kept the layout and design of our stores consistent and predictable to make shopping with us easier.

"consistent growth in our ROE despite owning the real estate ... of our stores."

"...owning the real estate of our stores or entering into long-term lease arrangements has helped control our fixed costs per store."

Other than the rental savings, which is partially offset by higher capital and capital servicing costs, we believe that ownership (including long-term leases) of our stores provides us with significant long-term competitive advantage.

"customise our product assortment in each store keeping in mind local demands and preferences."

"we endeavour to pay our suppliers on time and are often able to procure discounts for such prompt payment."

Inventory Turnover Ratio: 14.18 (2016)

We follow a cluster approach and target densely-populated neighborhoods and residential areas with a majority of lower-middle, middle and aspiring upper-middle class consumers.

As a measure for optimum utilisation of our space resources, we have adopted an efficient racking system by deploying higher racks to maximize the space available in store.

The upper racks are utilised for storage and the lower ones for display. (128)

Shareholding pattern (136)

~ Forms Filed(F5 - F82)

~ Analysis Of Financial Condition (167/251 - 185)